



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

January 6, 2005

### **H.R. 1047**

### **Miscellaneous Trade and Technical Corrections Act of 2004**

*As cleared by the Congress on November 19, 2004,  
and signed by the President on December 3, 2004*

#### **SUMMARY**

H.R. 1047, enacted as Public Law 108-429, is an omnibus trade act that reduces receipts by making various changes to trade law. These changes include suspending or reducing duties on specific products, refunding duties already paid on certain entries (reliquidation), and refunding duties paid on certain imports that are subsequently destroyed or exported (drawback). In addition, the act authorizes the President of the United States to extend normal trade relations (NTR) to Laos and makes various technical corrections to other existing trade laws.

The Congressional Budget Office (CBO) estimates that the legislation will decrease governmental receipts by \$167 million in 2005, by \$363 million over the 2005-2009 period, and by \$412 million over the 2005-2014 period. CBO estimates that the legislation will have no effect on direct spending.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The following table summarizes the estimated budgetary impact of the act.

Title I reduces or suspends the duties on various products imported into the United States, and provides additional tariff relief through reliquidation and drawback. Duties on over 300 intermediary products are newly suspended or reduced by subtitle A. These products include certain chemical compounds, machinery, and tools. Based on information from the U.S. International Trade Commission (ITC), CBO estimates that these provisions will decrease revenues by \$149 million over the 2005-2007 period. (The suspensions and reductions are effective through December 31, 2006.)

	By Fiscal Year, In Millions of Dollars									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>CHANGES IN REVENUES</b>										
Title I: Tariff Provisions										
New Duty Suspensions and Reductions	-53	-76	-20	0	0	0	0	0	0	0
Extensions of Existing Suspensions	-8	-12	-3	0	0	0	0	0	0	0
Liquidation or Reliquidation of Certain Entries	-15	0	0	0	0	0	0	0	0	0
Miscellaneous Provisions	-18	-20	-10	-7	-8	-8	-9	-9	-10	-10
Title II: Other Trade Provisions	-64	-1	-1	-1	-1	-1	-1	-1	-1	-1
Title IV: Duty Reductions on Wool	<u>-8</u>	<u>-16</u>	<u>-17</u>	<u>-5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Changes	-167	-124	-51	-13	-8	-9	-9	-10	-10	-11

NOTE: Components may not sum to totals because of rounding.

The act also temporarily extends almost 100 other previously enacted duty suspensions and reductions through December 31, 2006. CBO estimates that extending those lower duty rates will reduce revenues by an additional \$23 million between 2005 and 2007. In total, CBO estimates subtitle A will reduce governmental receipts by \$61 million in 2005 and by \$172 million over fiscal years 2005 through 2007.

Subtitle B of title I liquidates or reliquidates certain entries of goods imported into the United States, effectively providing refunds of duties paid on previously imported products. CBO estimates those provisions will reduce governmental receipts by about \$15 million in fiscal year 2005. In addition, subtitle B includes several miscellaneous trade provisions that CBO estimates will have a more significant impact on revenues. Section 1555, which extends duty-free treatment under the Generalized System of Preferences to certain hand-knotted or hand-woven carpets, will reduce receipts by an estimated \$26 million over the 2005-2007 period. Section 1557 allows for duty drawback of unused merchandise under section 1313(j) of the Tariff Act of 1930. CBO estimates the change will reduce revenues by an estimated \$35 million over the 2005-2009 period and \$81 million over the 2005-2014 period. Other miscellaneous trade provisions contained in subtitle B will reduce revenues by an additional \$3 million over the 2005-2014 period.

Title II authorizes the President of the United States to extend normal trade relations to Laos, which would reduce tariff rates on Laotian imports. For this estimate, CBO assumes that the President will exercise that authority, and we estimate that doing so will decrease revenues by \$4 million over the 2005-2009 period and \$11 million over the 2005-2014 period. In addition, title II makes the preferential treatment given to certain cuffs and collars imported

under the African Growth and Opportunity Act retroactive to October 1, 2000. CBO estimates that the resulting refunds of duties will reduce revenues by about \$63 million in 2005.

Title IV extends for two years the reduced duty rates on certain wool fabrics and increases the quantities that are subject to those rates. The duty reductions, which were enacted as part of the Trade and Development Act of 2000, were scheduled to expire on December 31, 2005. CBO estimates the extension of lower duty rates will reduce federal revenues by \$45 million over the 2005-2008 period.

Estimates of the revenue impact of suspending or reducing duty rates are based on data from the ITC and CBO's most recent projection of non-petroleum imports. Estimates of the duty drawback provision are based on data from the U.S. Customs Service on drawback collections and CBO's projections for future customs collections. The estimates for the remaining revenue provisions in the bill are based on estimates provided by the ITC and the U.S. Customs Service, on recent data on the collections of customs duties, and on information from various industry sources. Consistent with standard procedures for estimating the revenue impact of indirect business taxes, the gross revenue impact on customs duties is reduced by 25 percent to reflect offsetting effects on income and payroll tax receipts.

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